



Defense Business Board

TRANSITION TOPIC:

Rethinking the Role of the Comptroller

TASK: Assess how the Comptroller functions in the Department of Defense, and then contrast it with how global business uses its Chief Financial Officers

TASK GROUP:

Dov Zakheim (Chair)
Bill Phillips

Howard Cox
Pierre Chao

Mel Immergut

Col Dale Marks (Executive Secretary)

Report Documentation Page			Form Approved OMB No. 0704-0188	
<p>Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.</p>				
1. REPORT DATE 23 OCT 2008	2. REPORT TYPE	3. DATES COVERED 00-00-2008 to 00-00-2008		
4. TITLE AND SUBTITLE Transition Topic: Rethinking the Role of the Comptroller			5a. CONTRACT NUMBER	
			5b. GRANT NUMBER	
			5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)			5d. PROJECT NUMBER	
			5e. TASK NUMBER	
			5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Defense Business Board,1155 Defense Pentagon,Washington,DC,20301-1155			8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)			10. SPONSOR/MONITOR'S ACRONYM(S)	
			11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution unlimited				
13. SUPPLEMENTARY NOTES				
14. ABSTRACT				
15. SUBJECT TERMS				
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT Same as Report (SAR)	18. NUMBER OF PAGES 5
a. REPORT unclassified	b. ABSTRACT unclassified	c. THIS PAGE unclassified	19a. NAME OF RESPONSIBLE PERSON	



Defense Business Board

ISSUE:

- The Comptroller should have a mandated and leading role in all financial matters affecting DoD.

IMPORTANCE:

- While spending on Defense as a percentage of GDP continues to decline, the overall size and scope of the DoD budget, to include successive supplementals, has shown a steady increase.
- DoD is at the center of financing support to critically important allies and coalition partners in the global war on terror.
 - Increase in Title 1206 programs (Train and Equip Foreign Military Forces), which involve complex financial negotiations and increased base expansion agreements



Defense Business Board

DISCUSSION:

- 1. In the business world, the Chief Financial Officer (CFO) is far more important than the Comptroller.**
 - a. The CFO is often the third most important person in a firm after the CEO and COO.
 - b. The CFO manages cash, manages changes of dollar allocations to different accounts depending on "burn rates."
 - c. Traditionally, in DOD the role of the comptroller was more important than that of chief financial officer, with the sole objective of getting a budget through Congress.
 - d. The comptroller lays out a budget, but that is in effect a target.
 - e. Currently, any changes in spending patterns (i.e. reprogramming) need prior approval, and are capped at \$4 billion--less than 0.75% of the entire budget. In the corporate world, the CFO has discretion to move some 10 per cent of funds around.
 - f. Some firms have the CFO look after HR issues as well.
- 2. In the past DoD worried less about transparency and accuracy of financial statements.**
 - a. Congress, and the GAO, have pressed for greater transparency both for good governance and financial management reasons.
 - b. There has been only one execution review a year (in the spring).
- 3. Because of the importance of the Congressional approvals, Comptrollers have been drawn from people with Hill experience, often with experience on the Appropriations Committee.**
- 4. As a result, Comptrollers often have little understanding of, or interest in, financial management---including the production of meaningful financial statements, and clean audits, as well as management and rationalization of financial systems.**



Comparing Roles

Corporate CFO

- 3rd most important in firm (after CEO and COO)
- Manages cash and changes of dollar allocations
- Has discretion to move 10% of funds around
- Considers projections in reviews

OSD Comptroller

- Comptroller more important than CFO
- Lays out a budget – objective of getting it through Congress
- Changes in spending patterns (i.e. reprogramming) need prior approval
- Projections not adequately considered



Defense Business Board

RECOMMENDATIONS:

- 1. Rename the position: “Under Secretary of Defense (Chief Financial Officer and Comptroller) – USD(CFO&C)”**
- 2. The USD(CFO&C) should be drawn from the Financial world.**
 - a. The key skill-set required is global financial management experience
 - b. Financial management is critical for the efficient and credible management of expenditures
 - c. Some background on the Hill would be useful, but not critical
 - d. A strong Principal Deputy, well-versed in Congressional matters can be the essential compliment for any lack of Hill experience
- 3. The USD(CFO&C) should conduct two (February and June) annual execution reviews vice one – include projections in reviews**
- 4. Globalize the USD(CFO&C) responsibilities to include all DoD-related international financial negotiations**
 - a. Restore the International Branch to the Office of the Comptroller